

# House Study Bill 684 - Introduced

HOUSE FILE \_\_\_\_\_

BY (PROPOSED COMMITTEE ON  
APPROPRIATIONS BILL BY  
CHAIRPERSON GRASSLEY)

## A BILL FOR

- 1 An Act relating to the state general fund expenditure
- 2 limitation, creating a revenue estimating stabilization
- 3 fund, and making appropriations.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 8.22A, Code 2018, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 6. *a.* Following each meeting of the  
4 revenue estimating conference during which estimates for  
5 the current fiscal year and the following fiscal year are  
6 determined for the general fund of the state, the conference  
7 shall submit a comprehensive estimating report to the governor  
8 and the general assembly. The report shall be submitted within  
9 fourteen calendar days of the March meeting date and within  
10 thirty calendar days of any other meeting date.

11 *b.* The governor or the governor's designee, in consultation  
12 with the other two members of the conference, shall generate  
13 the comprehensive estimating report. The report shall include  
14 all data considered by the members in reaching the estimates,  
15 an analysis of the data including projections of such data, and  
16 a comprehensive discussion supporting and substantiating the  
17 estimates of the conference.

18 Sec. 2. Section 8.54, subsection 1, paragraph b, Code 2018,  
19 is amended to read as follows:

20 *b.* "*New revenues*" means moneys which are received by the  
21 state due to increased tax rates and fees or newly created  
22 taxes and fees over and above those moneys which are received  
23 due to state taxes and fees which are in effect as of January  
24 1 following the December state revenue estimating conference.  
25 "*New revenues*" also means moneys which are received by the state  
26 due to changes in federal tax law over and above those moneys  
27 which are received due to state taxes and fees which are in  
28 effect as of January 1 following the December state revenue  
29 estimating conference. "*New revenues*" also includes moneys  
30 received by the general fund of the state due to new transfers  
31 over and above those moneys received by the general fund of  
32 the state due to transfers which are in effect as of January  
33 1 following the December state revenue estimating conference.  
34 The department of management shall obtain concurrence from the  
35 revenue estimating conference on the eligibility of transfers

1 to the general fund of the state which are to be considered as  
2 new revenue in determining the state general fund expenditure  
3 limitation.

4 Sec. 3. Section 8.54, subsection 3, Code 2018, is amended  
5 by striking the subsection and inserting in lieu thereof the  
6 following:

7 3. Except as otherwise provided in this section, the state  
8 general fund expenditure limitation shall be determined as  
9 follows:

10 a. For the fiscal year beginning July 1, 2018, the state  
11 general fund expenditure limitation shall be ninety-nine  
12 percent of the adjusted revenue estimate.

13 b. For the fiscal year beginning July 1, 2019, the state  
14 general fund expenditure limitation shall be ninety-eight and  
15 one-half percent of the adjusted revenue estimate.

16 c. For the fiscal year beginning July 1, 2020, and each  
17 fiscal year thereafter, the state general fund expenditure  
18 limitation shall be ninety-eight percent of the adjusted  
19 revenue estimate.

20 Sec. 4. Section 8.57, Code 2018, is amended by adding the  
21 following new subsection:

22 NEW SUBSECTION. 01. The surplus existing in the general  
23 fund of the state at the conclusion of the fiscal year is  
24 appropriated to the revenue estimating stabilization fund  
25 created in section 8.57G. Moneys credited to the revenue  
26 estimating stabilization fund from the appropriation made  
27 in this subsection shall not exceed the amount necessary  
28 for the revenue estimating stabilization fund to reach the  
29 maximum balance for the succeeding fiscal year. To the extent  
30 that moneys appropriated under this subsection exceed the  
31 amounts necessary for the revenue estimating stabilization  
32 fund to reach its maximum balance, the remaining moneys  
33 are appropriated to the cash reserve fund. As used in this  
34 subsection, "*surplus*" means the excess of revenues and other  
35 financing sources over expenditures and other financing uses

1 for the general fund of the state in a fiscal year.

2 Sec. 5. Section 8.57, subsection 1, paragraph a, unnumbered  
3 paragraph 1, Code 2018, is amended to read as follows:

4 The "*cash reserve goal percentage*" for fiscal years beginning  
5 on or after July 1, 2004, is seven and one-half percent of the  
6 adjusted revenue estimate. For each fiscal year in which the  
7 appropriation of ~~the surplus existing in the general fund of~~  
8 ~~the state at the conclusion of the prior fiscal year moneys~~  
9 pursuant to paragraph "b" was not sufficient for the cash  
10 reserve fund to reach the cash reserve goal percentage for the  
11 current fiscal year, there is appropriated from the general  
12 fund of the state an amount to be determined as follows:

13 Sec. 6. Section 8.57, subsection 1, paragraph b, Code 2018,  
14 is amended to read as follows:

15 b. ~~The surplus existing in the general fund of the state at~~  
16 ~~the conclusion of the fiscal year is Moneys appropriated to the~~  
17 cash reserve fund pursuant to subsection 01 are appropriated  
18 for distribution in the succeeding fiscal year as provided in  
19 subsections 2 and 3. Moneys credited to the cash reserve fund  
20 from the appropriation made in ~~this paragraph~~ subsection 01  
21 shall not exceed the amount necessary for the cash reserve fund  
22 to reach the cash reserve goal percentage for the succeeding  
23 fiscal year. ~~As used in this paragraph, "surplus" means~~  
24 ~~the excess of revenues and other financing sources over~~  
25 ~~expenditures and other financing uses for the general fund of~~  
26 ~~the state in a fiscal year.~~

27 Sec. 7. Section 8.57, subsection 2, Code 2018, is amended  
28 to read as follows:

29 2. ~~Moneys appropriated under subsection 1 shall be first~~  
30 ~~credited to the cash reserve fund.~~ To the extent that moneys  
31 appropriated under subsection 1 would make the moneys in the  
32 cash reserve fund exceed the cash reserve goal percentage of  
33 the adjusted revenue estimate for the fiscal year, the moneys  
34 are appropriated to the department of management to be spent  
35 for the purpose of eliminating Iowa's GAAP deficit, including

1 the payment of items budgeted in a subsequent fiscal year  
2 which under generally accepted accounting principles should be  
3 budgeted in the current fiscal year. These moneys shall be  
4 deposited into a GAAP deficit reduction account established  
5 within the department of management. The department of  
6 management shall annually file with both houses of the general  
7 assembly at the time of the submission of the governor's  
8 budget, a schedule of the items for which moneys appropriated  
9 under [this subsection](#) for the purpose of eliminating Iowa's  
10 GAAP deficit, including the payment of items budgeted in  
11 a subsequent fiscal year which under generally accepted  
12 accounting principles should be budgeted in the current  
13 fiscal year, shall be spent. The schedule shall indicate  
14 the fiscal year in which the spending for an item is to take  
15 place and shall incorporate the items detailed in 1994 Iowa  
16 Acts, ch. 1181, §17. The schedule shall list each item of  
17 expenditure and the estimated dollar amount of moneys to be  
18 spent on that item for the fiscal year. The department of  
19 management may submit during a regular legislative session an  
20 amended schedule for legislative consideration. If moneys  
21 appropriated under [this subsection](#) are not enough to pay for  
22 all listed expenditures, the department of management shall  
23 distribute the payments among the listed expenditure items.  
24 Moneys appropriated to the department of management under  
25 this subsection shall not be spent on items other than those  
26 included in the filed schedule. On September 1 following the  
27 close of a fiscal year, moneys in the GAAP deficit reduction  
28 account which remain unexpended for items on the filed schedule  
29 for the previous fiscal year shall be credited to the Iowa  
30 economic emergency fund.

31     Sec. 8. NEW SECTION.   8.57G Revenue estimating stabilization  
32 fund.

33     1. A revenue estimating stabilization fund is created in  
34 the state treasury and shall include moneys credited to the  
35 fund pursuant to section 8.57, subsection 01. The fund shall

1 be separate from the general fund of the state and the balance  
2 of the fund shall not be considered part of the balance of  
3 the general fund of the state. Moneys credited to the fund  
4 are not subject to section 8.33 and shall not be transferred,  
5 used, obligated, appropriated, or otherwise encumbered except  
6 as provided in this section. Moneys in the revenue estimating  
7 stabilization fund may be used for cash flow purposes during a  
8 fiscal year provided that any moneys so allocated are returned  
9 to the revenue estimating stabilization fund by the end of that  
10 fiscal year.

11 2. The maximum balance of the fund is the amount equal to  
12 two percent of the adjusted revenue estimate for the fiscal  
13 year.

14 3. Moneys in the revenue estimating stabilization fund  
15 shall only be used pursuant to an appropriation by the  
16 general assembly for purposes of addressing projected revenue  
17 shortfalls due to reduced revenue estimates for the current  
18 fiscal year. An appropriation may be made from the revenue  
19 estimating stabilization fund only if the following criteria  
20 are met:

21 a. The appropriation shall be made only for the fiscal year  
22 in which the appropriation is enacted.

23 b. The adjusted revenue estimate, as defined in section  
24 8.54, for the fiscal year in which the appropriation is being  
25 made is greater than the revenue estimate for the fiscal year  
26 in which the appropriation is being made as determined by the  
27 revenue estimating conference.

28 Sec. 9. Section 8.58, Code 2018, is amended to read as  
29 follows:

30 **8.58 Exemption from automatic application.**

31 1. To the extent that moneys appropriated under section  
32 8.57 do not result in moneys being credited to the general fund  
33 under [section 8.55, subsection 2](#), moneys appropriated under  
34 section 8.57 and moneys contained in the cash reserve fund,  
35 rebuild Iowa infrastructure fund, environment first fund, Iowa

1 economic emergency fund, taxpayers trust fund, ~~and~~ state bond  
2 repayment fund, and the revenue estimating stabilization fund  
3 shall not be considered in the application of any formula,  
4 index, or other statutory triggering mechanism which would  
5 affect appropriations, payments, or taxation rates, contrary  
6 provisions of the Code notwithstanding.

7 2. To the extent that moneys appropriated under section  
8 8.57 do not result in moneys being credited to the general fund  
9 under section 8.55, subsection 2, moneys appropriated under  
10 section 8.57 and moneys contained in the cash reserve fund,  
11 rebuild Iowa infrastructure fund, environment first fund, Iowa  
12 economic emergency fund, taxpayers trust fund, ~~and~~ state bond  
13 repayment fund, and the revenue estimating stabilization fund  
14 shall not be considered by an arbitrator or in negotiations  
15 under chapter 20.

## EXPLANATION

17 The inclusion of this explanation does not constitute agreement with  
18 the explanation's substance by the members of the general assembly.

19 This bill relates to the state general fund expenditure  
20 limitation and creates a revenue estimating stabilization fund.

21 The bill includes a reporting requirement for the revenue  
22 estimating conference. The bill provides that following  
23 each meeting of the revenue estimating conference during  
24 which estimates for the current fiscal year and the following  
25 fiscal year are determined, the conference shall submit a  
26 comprehensive estimating report to the governor and the general  
27 assembly. The report shall be submitted within 14 calendar  
28 days of the March meeting date and within 30 calendar days of  
29 any other meeting date. The bill requires the governor or  
30 the governor's designee, in consultation with the other two  
31 members of the conference, to generate the report. The report  
32 must include all data considered by the members in reaching  
33 the estimates, an analysis of the data including projections  
34 of such data, and a comprehensive discussion supporting and  
35 substantiating the estimates of the conference.

1     Currently, the state general fund expenditure limitation for  
2 a fiscal year is 99 percent of the adjusted revenue estimate.  
3 In addition, the state general fund expenditure limitation must  
4 be readjusted to include 95 percent of any new revenues.

5     The bill includes in the definition of "new revenues" moneys  
6 which are received by the state due to changes in federal tax  
7 law over and above those moneys which are received due to state  
8 taxes and fees which are in effect as of January 1 following  
9 the December state revenue estimating conference.

10    The bill lowers the state general fund expenditure  
11 limitation to 98.5 percent for FY 2019-2020, and 98 percent for  
12 FY 2020-2021 and each fiscal year thereafter.

13    The bill creates a revenue estimating stabilization fund.  
14 The fund is separate from the general fund of the state and  
15 the balance of the fund is not be considered part of the  
16 balance of the general fund of the state. Moneys credited to  
17 the fund are not subject to Code section 8.33 and shall not  
18 be transferred, used, obligated, appropriated, or otherwise  
19 encumbered except as provided in this Code section. Moneys in  
20 the revenue estimating stabilization fund may be used for cash  
21 flow purposes during a fiscal year provided that any moneys so  
22 allocated are returned to the revenue estimating stabilization  
23 fund by the end of that fiscal year. The maximum balance of the  
24 fund is the amount equal to 2 percent of the adjusted revenue  
25 estimate for the fiscal year.

26    Moneys in the revenue estimating stabilization fund can  
27 only be used pursuant to an appropriation by the general  
28 assembly for purposes of addressing projected revenue  
29 shortfalls due to reduced revenue estimates for the current  
30 fiscal year. The bill provides two criteria that must be  
31 met before an appropriation may be made from the fund. The  
32 appropriation must be made only for the fiscal year in which  
33 the appropriation is enacted and the adjusted revenue estimate  
34 for the fiscal year in which the appropriation is being made is  
35 greater than the revenue estimate for the fiscal year in which

1 the appropriation is being made as determined by the revenue  
2 estimating conference.

3     The bill amends the order that the reserve funds are  
4 credited in years in which a budget surplus occurs by having  
5 the revenue estimating stabilization fund credited first.  
6 The bill provides that a general fund surplus is initially  
7 appropriated to the revenue estimating stabilization fund. To  
8 the extent that moneys appropriated to the revenue estimating  
9 stabilization fund exceed the amount necessary to reach the  
10 maximum balance, the remaining moneys are appropriated to the  
11 cash reserve fund. Moneys in excess of the amount necessary  
12 to reach the maximum balance of the cash reserve fund are  
13 appropriated to the economic emergency fund.

14     The bill adds the revenue estimating stabilization fund  
15 to the list of funds that are not to be considered in the  
16 application of any formula, index, or other statutory  
17 triggering mechanism which would affect appropriations,  
18 payments, or taxation rates. The bill also adds the fund to  
19 the list of funds that are not considered by an arbitrator or  
20 in negotiations under Code chapter 20.